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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

NAFTA PARTNERS TO DEFINE POLICY ON BSE ISSUE

Mexican Secretary of Agriculture Javier Usabiaga will meet with his NAFTA counterparts on January 15 and 16, 2004, to deal with the control measures on the "mad cow" issue and the harmonization of the North American animal health policy that leads to a regional integration. The Director of SENASICA, Javier Trujillo, denied that said meeting would imply an automatic reopening of the market in Mexico to beef meat from the United States. (Source: *El Financiero*, 1/14/04)

BSE IN THE UNITED STATES AFFECTS MEXICAN EXPORTS OF FEEDER CALVES

According to the President of the Regional Cattleman's Union in the State of Jalisco, Salvador Alvarez, the uncertainty caused by the appearance of BSE in the United States is already hurting Mexican cattlemen. The feedlots in the United States reduced their purchases of Mexican feeder calves due to the fall in demand of beef meat in the United States that was caused by fear among consumers because of the BSE scare. (Source: *Milenio*, 1/14/04)

RESTAURANT ISSUES FOR 2004

There are over 221,000 restaurants in Mexico, and the sector as a whole accounts for 2.5 percent of total GDP and 23.8 percent of tourism earnings with average annual sales of over 140 billion pesos (US$13 billion dollars). Over 800,000 Mexicans work in restaurants and another 2.2 million jobs are indirectly linked to the sector. The National Chamber of the Restaurant Industry (CANIRAC), which represents the interests of the restaurant industry, has a full slate of issues affecting the sector in 2004. One of the most difficult is the federal government program to stop drinking and driving that was implemented in September 2003. As part of this program, several check points have been established throughout Mexico City to check driver alcohol levels. According to CANIRAC, this measure has dramatically impacted restaurant sales but CANIRAC also admits that drinking and driving is a serious problem in Mexico. Another issue is a new law that was passed December 31, 2003, that forces restaurants to designate 40 percent of floor space as nonsmoking. CANIRAC is still deciding how to respond to this law before it is fully implemented. CANIRAC also is fighting to reduce the high commissions charged to restaurants for credit card use by customers. The most recent issue that concerns the sector is the ban on imported beef from the United States, which has driven up prices and made it impossible to keep many cuts on menus. (Source: *CANIRAC and ATO Mexico City,* 1/16/04)

MEXICO BEGAN EXPORTING EGGS TO THE UNITED STATES

According to the President of the Poultry Producers Association, Cesar de Anda, Mexico began exporting table eggs to the United States. He indicated that about one million eggs, representing about US$500,000 dollars, were shipped from the State of Sonora. De Anda confirmed that in March 2004 Mexico could be exporting poultry meat to the United States from the States of Yucatan and Sinaloa as soon as Mexico receives "free of Newcastle disease" status from the United States. (Source: *Reforma*, 1/13/04)

COTTON AND SOYBEANS ONLY TRANSGENIC CROPS PLANTED IN MEXICO

The International Service for the acquisitions of Agri-biotech Applications (ISAAA) reported that Mexico has only developed two types of transgenic crops: cotton and soybeans, despite the fact there is a great variety of these crops around the world. The ISAAA report states that about 167.2 million acres or 67.7 million hectares are now planted worldwide in biotech crops or about a 15 percent increase over 2002 figures. Moreover, it pointed out that seven million farmers in 18 countries, or more than 85 percent resource-poor farmers in the developing world, now plant biotech crops. (Source: *El* Universal, 1/16/04)

MEXICAN FARMERS PUSHING FOR A POSITIVE ALCA NEGOTIATION

Mexican farmers' organizations demanded that President Fox be cautious with America's Free Trade Area Agreement (ALCA) negotiations in order to avoid the same NAFTA negotiation mistakes, since Latin American countries' agricultural sectors are at a clear disadvantage compared to the U.S. agricultural sector. Representatives from the Farmers National Confederation, the Permanent Agrarian Council, "El Campo No Aguanta Mas" and "El Barzon" movements declared that unfavorable negotiations would increase poverty in the rural sector. Moreover, they added that President Bush's administration is imposing an agenda with the intention to veil ALCA negotiations with a poor U.S.-Mexico migratory agreement. (Source: *Excelsior*, 1/12/04)

MEXICAN SOCIAL ORGANIZATIONS DEMAND A REDUCTION IN U.S. SUBSIDIES

Social Organizations (ONG), headed by the "El Barzon" movement, demanded that the U.S. government substantially reduce the amount of subsidies granted to the U.S. agricultural sector, estimated at US$10 billion dollars per year. The group is also demanding the exclusion of the America Free Trade Area Agreement (ALCA) negotiations from the Monterrey Conference. Moreover, they demanded that the Fox administration not support President Bush's proposal, which is designed to weaken the South America trade integration promoted by Brazil, Argentina and Venezuela. PRD Deputy Ramirez Cuellar said that President Bush's attitude, besides its veiled electoral meaning, is targeted to weaken a proposal to look for a Southern integration with a balanced trade. "It is urgent that First World countries eliminate subsidies to their agricultural sectors; also, it's urgent that differentiation and special treatment to poor countries be considered since it is not fair to treat them as they were wealthy countries," ONG representatives added. (Source: *La Jornada*, 1/13/04)

FARMERS DEMAND A CHANGE IN THE MEXICAN COUNTRYSIDE POLICY MODEL

The political movement "El Campo No Aguanta Mas" demanded that the Government of Mexico (GOM) establish a constructive dialogue in order to redirect policies and programs for the countryside. By doing so, it will guarantee food sovereignty and support to the production of basic commodities as the main element to fight poverty, promote employment and better income within the rural sector. "It's imperative that the GOM allow larger monetary resources, for bean and corn producers, and for some other specific programs, along with a suitable policy that would guarantee the adequate distribution of basic commodities," said "El Campo No Aguanta Mas" representative Fernando Celis. (Source: *Excelsior*, 1/16/04)

FEW BENEFITS WITH FREE TRADE

A newspaper article indicated that despite the fact that President Bush says the best way to eradicate world poverty is by promoting trade among nations, NAFTA doesn't allow these optimistic conclusions. Actually, the article said, the United States obtained more markets with free trade but suffocated the competitiveness of weaker countries. For example, Mexico's foreign trade increased from US$88 billion dollars in 1993 to US$350 billion dollars in 2000, but the real beneficiaries were the U.S. in-bond industry ("maquiladora") established along the border between Mexico and the United States. (Source: *La Jornada*, 1/16/04)

SOFT DRINK INDUSTRY GROWS 2.5 PERCENT IN 2003

According to the news, the soft drink market grew between 2 and 2.5 percent during 2003 due to the introduction of new products, sizes and lower prices. Analysts indicate that due to the current economic weakness and to stay competitive, Coca-Cola was forced to re-package their product in larger sizes and different flavors, and PepsiCo packaged new flavors and Pepsi Blue. Furthermore, Pepsi lowered prices of its cola-drink by 17 percent on the 600 milliliter size and eight percent of the 2.5 liter size. Analysts indicate that the pressure of price setting for the soft drink industry lowered the income-yield capacity of the companies. (Source: *Reforma*, 1/16/04)

WTO CRITICIZES U.S. ANTIDUMPING MEASURES

A report by the World Trade Organization (WTO) criticized U.S. antidumping and countervailing actions, such as mechanisms of special protection that generates uncertainty for foreign exporters. The WTO states that barriers to market access persist in a few, however, important areas: in particular, assistance to selected activities such as agriculture, steel, textiles and clothing has burdened U.S. consumers, taxpayers and trade. Among others points, the report states that in 2002, 48 percent of the total value of clothing imports were still subject to quantitative restraints, and 24 percent of textiles imports. But, it also recognizes the United States' commitment to abolishing quantitative import restrictions in the textile and clothing sector by the end 2004, as foreseen in the WTO Agreement on Textiles and Clothing. (Source: *El Universal*, 1/16/04)

MEXICAN BANK EXPANDING CREDIT FOR POORER FAMILIES

In Mexico only 12 percent of economically active families with monthly incomes of at least 6,000 pesos (US$555 dollars) have access to bank credit. Bancomer (owned by Spanish bank BBVA), in an attempt to expand bank credit opportunities, is introducing a new product, a debit card, aimed at poorer Mexicans, those with monthly incomes of 4,000-6,000 pesos (US$370-555 dollars). At present, an estimated seven million families are in this income range and can only obtain credit by paying interest rates that often exceed 100 percent per year. With the introduction of the debit card, bank officials hope to increase bank lending from 12 percent to 28 percent of economically active families. (Source: *El Financiero*, 1/15/04)

CARLOS SLIM'S RECIPE FOR SUCCESS

In November 2003, at the American Chamber of Commerce's annual meeting, Carlos Slim, Mexico's and Latin America's richest man, gave a list of 12 points to increase Mexican competitiveness: (1) Physical security; (2) Judicial security; (3) Fiscal reform; (4) Exchange rate competitiveness; (5) Interest rate; (6) Improved education system creates more skilled jobs; (7) State reform; (8) Deregulation and streamlined administration; (9) Adjust the consensus position in Washington; (10) Better penetration of bank services and financing; (11) Modernize the nation's infrastructure; and (12) Autonomy of state-run businesses and their removal from annual budget process. (Source: *Business Mexico*, Special Edition 2004)

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